

**APPROVED BY THE COUNCIL ON 3/5/08**

**ECONOMIC DEVELOPMENT ADVISORY COUNCIL  
MEETING**

**SEPTEMBER 12, 2007**

**9:00 A.M. – 3:30 P.M.**

**CAPITOL BUILDING – ROOM 335**

**MINUTES**

**COUNCIL MEMBERS PRESENT**

Evan Barrett, Chair	Tony Rudbach
Jim Atchison	Richard Sangray
Kathie Bailey	Senator Trudi Schmidt
Senator Jerry Black	Estelle Tafoya
Sheila Hogan	Paul Tuss
Representative Roger Koopman	Linda Twitchell
Jim Lee	Representative Dan Villa
Tony Preite	

**COUNCIL MEMBER ABSENT**

Elizabeth Marchi	Joe Menicucci
Corlene Martin	Jim Smitham

**DEPARTMENT STAFF PRESENT**

Betsy Baumgart	Gary Morehouse
Bruce Brensdal	Angela Nelson
Dave Cole	Quinn Ness
Jim Edgcomb	Andy Poole
Gail Gallick	Marty Tuttle
Sten Iverson	Janice Wannebo
Chantel McCormick	

**GUESTS**

Connie Daniels, Field Director, Senator John Tester's Office  
Andrew Geiger, Research Analyst, Legislative Services Division

Evan Barrett, Chair called the meeting to order at 9:07 a.m. Barrett thanked the council members for attending this meeting. Wannebo proceeded with roll call and determined a quorum was present. Council & audience introductions followed.

**APPROVAL OF MINUTES FROM PREVIOUS MEETING**

Council members were electronically mailed a draft of the minutes from the last meeting which was held May 10, 2006 for their review prior to this meeting. Representative Jerry Black **MOVED** to approve the minutes as submitted. Tony Rudbach **SECOND** the motion. The motion **PASSED UNANIMOUSLY**. Representative Black requested that the minutes be distributed earlier to the Council so they have them for reference following each meeting.

## **COUNCIL BUSINESS**

Wannebo referenced the *Information for Travel Voucher Form* distributed to each Council member explaining how Council members should complete the form to receive reimbursement for their expenses to attend each meeting.

## **REVIEW OF ECONOMIC DEVELOPMENT ADVISORY COUNCIL (EDAC) STATUTORY RESPONSIBILITIES**

Quinn Ness indicated that binders were created for Council members containing materials that give an overview of the Council's statutory responsibilities. During the 2003 Legislature, this Council was created with the passage of HB76. Montana Codes Annotated (MCA) 2-15-1820 (6) states this Council shall:

(a) Advise the department concerning the distribution of funds to Certified Regional Development Corporations for business development purposes in accordance with 90-1-116 and this section;

(b) Advise the department regarding the creation, operation, and maintenance of the MicroBusiness Finance Program and the policies and operations affecting the certified MicroBusiness Development Corporations;

(c) Advise the Governor and the Department on significant matters concerning economic development in Montana;

(d) Prescribe allowable administrative expenses for which economic development funds may be used by Certified Regional Development Corporations; and

(e) Encourage Certified Regional Development Corporations to promote economic development on Indian reservations in their regions.

Barrett added this Council was modified from a previous Council called the MicroBusiness Advisory Council which had a single responsibility of advising the MicroBusiness Finance Program. During the 2003 Legislature, the legislature moved towards the Certified Regional Development Corporation structure rather than the Certified Communities Program thus this Council changed to the Economic Development Advisory Council which has a broader context compared to the MicroBusiness Advisory Council.

Ness briefly reviewed the elements of the Certified Regional Development Corporation (CRDC) Program and the MicroBusiness Finance Program.

## **TREASURE COMMUNITIES**

As requested by the Council, Ness distributed copies of the proposed guidelines for the Treasure Communities Program. The handout provides a summary of the statute relative to the Treasure Communities Program, which defines the Treasure Community as a community that meets and maintains requirements for certification established by the Department and is administered by a Certified Regional Development Corporation (CRDC) and lists general requirements to receive this designation and reporting requirements. Senator Schmidt asked how many Treasure Communities exist. Ness indicated that currently there are no Treasure Communities. Senator Schmidt asked what the advantage is for a community to be a Treasure Community. Ness indicated that previously there was a Certified Communities Program with an appropriation of \$400,000 annually that was distributed to the communities. In 2003, that program was abolished and now that funding goes to the CRDCs. One concern is that if we start designating or certifying communities again the perception will be a revitalization of the previous program and an expectation they will receive funding. It is important to organize local

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communities and have an entity in the local community that state and federal agencies can work directly with as well as participate in regional strategic planning with the CRDCs. Representative Koopman asked if the Treasure Community is a necessary Program. Ness pointed out that although there is no funding available there is community pride or recognition in receiving this designation.

Barrett, who has historical knowledge of the Treasure Communities concept, indicated the statute previously recognized Certified Communities for several years. The demand for resources to Certified Communities was growing beyond the \$400,000. Individual communities still wanted a local development effort that CRDC regions could not provide therefore we had to allow the individual communities an economic structure that could be recognized as well as the regional structure created by statute.

Barrett noted the Community Profile was not listed in the requirements and should be included. Ness pointed out that the Big Sky Trust Fund allows for the development of Community Profiles as an eligible use of funds and was surprised that the CRDCs have not requested to use funds for those profiles. Ness will include the Community Profile as a requirement. Barrett asked how this Council can help the Local Development Organizations (LDOs) to get more proactive and encourage communities to stay strong within the CRDCs. Should the initiative be taken through the Department, the CRDCs, or through the Montana Economic Development Association (MEDA) to encourage this concept?

Tony Preite, Director of the Montana Department of Commerce stated that expanded effort needs to be made especially in the rural communities. Creating strong multi-county development organizations only enhances the regional CRDC organizations. Director Preite strongly advises against moving forward with the Treasure Community if it were to be at the expense of the multi-county/regional concept. The danger is encouraging potential rivalries within CRDC Region and EDA District, particularly in the rural areas.

Paul Tuss, Executive Director of Bear Paw Development Corporation in Havre designated as a CRDC, recommends elimination of the Treasure Community Program since there is no money and it is cumbersome. Jim Atchison, Executive Director of Southeastern Montana Development Corporation also designated as a CRDC, along with Kathie Bailey, Executive Director of Snowy Mountain Development Corporation in Lewistown also a CRDC, both agreed that the Treasure Community program should be eliminated.

Barrett indicated that since we have heard from the CRDCs in attendance at this meeting we should also seek input from the LDOs by conducting a survey to determine how to approach this properly. It currently is a statutory requirement and should either be adhered to or eliminated. Barrett requested that the Department of Commerce approach this issue more aggressively and conduct the survey and provide recommendations to the Council at the next meeting. Ness pointed out this Program is in statute and could be a potential audit finding therefore the Department needs to move forward with a decision to either implement or wait until the next session and potentially have the Treasure Communities Program abolished. Ness appreciates any guidance from the Council on this issue as soon as possible.

**Representative Koopman MOVED to recommend the Department of Commerce conduct a survey of the stakeholders and appropriate organizations on the subject of**

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**the Treasure Communities Program and report back to the Council with recommendations.** Paul Tuss **SECONDS** the motion. Barrett asked if there was any discussion on the motion. Senator Schmidt asked if anything else needs to be added to the motion or is it broad enough to fully explore the issue. Representative Villa questioned if an audit was pending on this Program. Ness reported that he is not aware of a pending audit but there could be the potential for an audit finding. With no further discussion on the floor, the motion **PASSED UNANIMOUSLY**.

### **GOVERNOR'S ECONOMIC DEVELOPMENT INITIATIVES**

Director Preite thanked the Legislature for providing the Department of Commerce with the necessary tools to promote economic and community development across the state during the last session. A perfect example is the New Workforce Training Program. In the beginning, Commerce testified before the committees in the legislature that \$1.4 million annually would not be enough because of the interest in the program. The program ran out of funds before the end of June. During the 2007 Legislative Session the Program was funded with \$8 million per biennium. Director Preite believes the Program will again run out of funds due to the demand. Director Preite acknowledged this Program has created approximately \$70-\$80 million in leveraged funds.

Andy Poole, Deputy Director for the Department of Commerce, distributed a handout entitled "*Sunset on Economic Development Programs*". These programs are administered through the Department of Commerce and the Department of Agriculture, were created during the 2000 Special Session, extended during the 2005 session and are scheduled to terminate June 30, 2010. The affected programs are: 1) the Cooperative Development Centers; 2) the Growth through Agriculture Program; 3) Research & Commercialization; 4) the Small Business Development Centers (SBDCs); 5) the Small Business Innovative Research Program; 6) the Certified Regional Development Corporations; 7) the Montana Manufacturing Extension Centers and 8) Export Trade Enhancement.

Poole indicated the Department of Commerce will provide progress reports to this Council between now and the next Legislative session regarding these programs anticipating this Council will support the continuation of these programs beyond 2010.

Poole also reported the Primary Sector Workforce Training Program, commonly known as the New Worker Training Program, a one-time appropriation of \$4 million per fiscal year, will have to be re-appropriated. The Department of Commerce will look at new legislation to re-authorize this New Worker Training Program.

Barrett reported that Montana currently has significant economic growth. Last year, Montana was the fifth (5<sup>th</sup>) fastest growing economy in the last three (3) years in the nation. Montana's employment was at a record high in 2006 and the unemployment was at a record low in 2005. It is important to constantly upgrade the skills, knowledge and expertise of Montana's workforce. The Regents, working with the Administration, identified two target areas that have a large impact on communities and economic growth where workforce is a challenge: 1) medical/health care services and 2) the building trades/construction sector. This administration is working with the colleges and university system to aggressively address the worker shortage. The Governor also mentioned affordable housing as a big issue during his Labor Day speech. Barrett also mentioned the Governor's focus on the tribal economic development. The reservations and rural communities of Montana lie outside of Montana's economic development "boot" and will

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require extra effort by the administration. There is a pilot program for incumbent or “existing” workers administered by the Department of Labor.

Barrett reported that the energy sector is a driver for the economy creating high quality jobs and a unique opportunity to create growth outside the “boot” which remains a focal point for the Governor and this administration. The legislature passed significant tax incentives for new technology “clean & green” energy development in Montana and also allotted a certain percentage of Research & Commercialization funds to be available for clean coal and renewable energy efforts.

Barrett reported the statutory responsibility of the Governor’s Office of Economic Development is to work on:

1. Workforce development
2. Technology development
3. Permitting & Regulatory issues (as they affect economic development)
4. Infrastructure development
5. Marketing & Recruitment (retention & expansion)

Barrett distributed a report given to the Legislature that details what the Governor’s Office of Economic Development had accomplished from January 1, 2005 to January 1, 2007. In addition to the above statutory duties, the Governor’s Office of Economic Development works closely with all state agencies. The Department of Commerce is the number one partner with their office, as it administers the majority of programs for business development.

Barrett also mentioned that “financial tools” are a critical element of economic development which, if done properly, can make things happen. During the 2005 Legislature, the Capital Investment Act (sometimes referred to as the “Fund of Funds” bill) was created but the Legislature neglected to provide financing for the Program. So during the 2007 session, money was appropriated. One challenge is the constitutionality/legality of this program. The lack of clarity on the constitutional issues may be an impediment to the advancement of this program. The Department of Commerce was only appropriated administrative money but the Governor is proceeding to appoint the board whose first responsibility will be to address the legal issues behind the venture capital program.

Barrett also reported that the Rail Service Competition Council, which had been attached to the Governor’s Office of Economic Development by the 2005 Legislature, has been assigned by the 2007 Legislature to the Department of Transportation with a permanent appropriation. Barrett is a member of this Council and believes they will be much more active this biennium. The Department of Justice was also appropriated \$3 million for litigation that allows the State of Montana to pursue litigation activities that could result in litigation against Burlington Northern Santa Fe or the Service Transportation Board, whichever is more appropriate. It has been noticed that in other states that have the ability to litigate and the willingness to pursue it, settlements occasionally occur and rates start to change.

Barrett distributed a copy of the Montana Economic Developers’ Association’s (MEDA) economic development agenda from the last session that represented the collective thinking of Montana’s economic development community. MEDA has seen a large

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amount of good legislation pass in the last eight (8) years, making quantum leaps forward in terms of our tools for economic development. However, many of them will sunset in 2010 and some have limited appropriations so the administration may want this Council to consider a number of these things and, if they think it is good policy, recommend them for continuation and financial support. That might “spring board” them into the next session.

Barrett asked Council members if they had any questions, comments or thoughts surrounding the items previously discussed.

Senator Schmidt commented on Montana’s Rail Service Competition Council, which she serves, should move quicker with the subcommittees working directly on the issues.

Richard Sangray, Tribal Representative on this Council from the Chippewa Cree Business Committee, was pleased the reservation initiatives were mentioned and that Indian Country economic development is an on-going focus with the Schweitzer administration. Barrett added the focus on Indian Country economic development is very critical and not an easy job to accomplish. The first Montanan’s rank last in economic development and it should not be that way.

Kathy Bailey, Executive Director for Snowy Mountain Development Corporation located in Lewistown, expressed her concern on the sunset of the economic development programs and mentioned the disproportion in conjunction with the regional concept by only having ten (10) Small Business Development Centers (SBDC) offices compared to twelve (12) CRDC offices. The SBDC office located in Great Falls, that serves Lewistown, has limited time (4-8 hours/month) to serve the surrounding counties. She thinks we need to investigate the potential for additional funding through the state. Director Preite agrees with Bailey stating the 10 existing SBDC offices are overworked and understaffed emphasizing the need to expand the benefits and/or additional resources to adequately fund these vital programs.

Paul Tuss indicated MEDA has done a study that examined these programs which looked at the jobs created, the projects produced, and the money leveraged that showed the value they add to Montana’s economy. Representative Villa explained there was a bill that did address the sunset and additional resources to the SBDC program but it did not make it through the House of Representatives mainly due to the budget fiasco at the end. Villa believes that during the next session this will be more urgent mainly because of the sunset deadline. This Council’s support of these programs and the elimination of the sunset will assist in getting this accomplished.

Senator Jerry Black stated that “future” irrigation development should be a higher priority for this administration and would be good economic development for Eastern and North central Montana which lies outside of the “boot”. If Montana does not develop its water resources and put them to beneficial use we will lose our water resources to the states downstream. Black acknowledged a water/irrigation study was financed during the last session showing who benefits from irrigation and how much. From that study Montana can determine what an investment in irrigation development would do for the state and should provide the necessary information to move forward with a program to assist farmers to develop the infrastructure for irrigation. It would revive some of Montana’s smaller communities and would be a huge economic development for rural Montana. Jim Atchison added that North Dakota is many years ahead of Montana on irrigation

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development programs and their crops are showing high yields and Montana may want to look at their models.

Representative Koopman distributed a list of *Questions to Consider* to the Council and acknowledged that measurements are important to him as a small business owner. He admits that as a Legislator he tends to be more skeptical, in general, of government programs. If a program comes to the Legislature with clear measurements/clear metrics containing objective data and/or studies that can pinpoint their effectiveness the Legislature is more likely to consider funding that program otherwise they are skeptical and ask more questions. As a follow-up to Representative Koopman's comments, Senator Schmidt added that the Senate Finance Interim Committee is working exactly on goals and objectives to see what the agencies are doing to get a better handle on how the money is spent to determine if these programs are effective. Representative Villa stressed that just because a program comes to the legislature with measurements don't expect miraculous results.

As Senator Schmidt reviewed the previous minutes from the last meeting, she questioned if the Governor's Office marketing budget was cut 40%? Barrett indicated that his office was given \$600,000 for the biennium rather than the \$1 million that was requested. She also mentioned the irrigation issue from the last meeting asking Barrett if the facts have been gathered and an inventory completed on the maintenance issues with the existing water projects and the costs associated? Barrett replied there was some skepticism from the Department of Natural Resources (DNRC) whether or not the study was needed but it did pass and they are continually looking at this from a policy point of view.

Representative Villa asked the Council to consider the following issues: 1) have the state pursue the protested property tax fund that was discussed this last session. If we can alleviate some of the concerns that local governments and school districts have where the state puts in money, we get a fair settlement after the protested tax discussion take place, the home owners and the small businesses will see property tax relief and the state gets its money back. 2) The CRDCs are "where the rubber meets the road" yet they do not have enough funds to properly function in the current economy. Increased staffing is a must if these organizations are to continue to handle the various infrastructures (energy, water & sewer, housing, recruitment & retention of business in their regions, loan applications, etc.) that they manage on a daily basis. Increasing the CRDC funding is how we can get the critical mass to move beyond our current economy.

Senator Black mentioned that Legislators view a marketing budget with concern as to how those funds are utilizing and what are the end results. If there is an increase in budget you have to show what was accomplished and put to good use. He believes that Montana does need a marketing budget since Montana is favored as one of the best states to do business in. Senator Black agreed that the labor shortage, affordable housing and regulatory serious issues are what Montana has to address to make the state more business friendly. Barrett commented on the marketing budget and believes the decision to not allocate the money was not based on lack of measurements but due to politics. He said that the labor shortage is not only a Montana issue but a national issue. The regulatory issue is a statutory responsibility and they are constantly pushing on the agencies to not impede with the regulatory process. The Governor's Office of Economic Development goal is to make the regulatory process quicker and more efficient. Barrett also indicated they plan to approach the next legislature with a Tax Increment Financing (TIF) bill that would be an effective

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tool but is also subject to some issues. One bill they want to bring forth in the session and are starting work on now is an Energy Impact Bill that addresses the growth associated with large projects.

Following lunch, Barrett distributed the various marketing materials used by the Governor's Office of Economic Development (BEAR Program, You Should Be Here-Montana Means Business [main marketing brochure], Montana Bioscience Alliance, Montana Business & Technology-Competing through Innovation, and Montana Energy-Development Opportunities package of 7 documents in a folder).

### **2007 LEGISLATURE DEPARTMENT OF COMMERCE MAJOR INITIATIVES**

Poole presented the *Budget and Statutory Changes from 2007 Legislative Session* presentation briefing the Council members on the budgetary changes within the Business Resources Division in the Department of Commerce:

#### Budgetary Changes

**Workforce Training Grants** – \$1.4 million per year available in 2006/2007 was increased to approximately \$4 million per year in 2008/2009. Business eligibility requires 50% or more of sales outside Montana, demonstrated expansion feasibility, need for new employee training with a maximum of \$5,000 grant per employee trained and a \$3 state to \$1 business match.

**Indian Country Economic Development (ICED)** – Funding increased from \$500,000/year to \$800,000/year for the seven Indian reservations and the Little Shell Tribe. Funding is used for priority economic development projects, Indianpreneur training, the Indian Entrepreneur Equity Fund and an economic analysis of tribal contributions to Montana's economy.

**Main Street Program** - \$125,000 each year in FY 2007/2008 and again in 2008/2009. Designated programs: Mature (operating for 2 or more years-Butte, Stevensville & Libby), Pilot (new start-ups-Anaconda, Polson & Red Lodge) and Affiliate Programs (communities of less than 2,000-White Sulphur Springs, Sheridan & W. Yellowstone).

Barrett added that the Indian Country Economic Development (ICED) and the Main Street programs funding were kept as one-time only (OTO) since they did not have a lot of experience due to their recent creation. Assuming these two programs continue to succeed, the administration's objective is to ask for permanent funding within the next budget.

#### Legislative Changes

**Workforce Training Grants** – HB 756 changed the minimum new job creation from 10 new employees to 1 new employee making program more accessible to rural Montana.

**State Tribal Economic Development Commission** – SB 173 removed the 2009 sunset on the commission's existence, moved the commission from the Governor's Office to the Department of Commerce and added one member from the Governor's Office of Economic Development.

**MicroBusiness Finance Program** – HB 137 increased the maximum loan amount to a micro-business from \$35,000 to \$100,000 and the gross annual revenue changed from



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\$500,000/year in sales to \$1 million/year. This bill was carried in the House by Representative Villa and in the Senate by Senator Black.

**Big Sky Trust Fund** – Previously they received \$5,000 per new job which was increased to \$7,500 per job in high poverty counties (>14% poverty). Previously the match was \$1:\$1 and now it is \$2 for \$1 match for high poverty counties. A map of the poverty areas of Montana showing the 2004 poverty counties in Montana was distributed. The worst poverty counties are located near reservations.

**Board of Research & Commercialization** – As of November 2006, \$26 million in grants were awarded; \$33 million in matching funds; \$141 million in follow-on funding. HB 715 changed some of the number relative to this program so that 30% of the account funds must be directed towards projects that enhance clean coal research and development or renewable resource research and development.

Poole also mentioned the **Montana Board of Investments**, which is not in the Business Resources Division, under SB 69 made clear that more than 25% of coal tax trust can be invested in Montana (eliminates “up to 25%” language), increases allocation of Coal Tax Trust Funds under value-added loan program from \$50 to \$70 million and increases allocation of Coal Tax Trust Funds under the infrastructure loan program from \$50 to \$80 million.

Representative Koopman asked if the Workforce Training Program and the Big Sky Trust Fund coordinate with the federal Job Training Partnership Act (JTPA) grants and do they work in similar ways? Poole pointed out that there no longer is a JTPA program. The current federal program is called the Workforce Investment Act (WIA). The biggest difference between the state workforce training program and WIA is that WIA funds are used specifically to assist a person obtaining a job and the New Worker Training funds are used for the business to train new employees for a specific job on a reimbursement basis. Representative Koopman believes the challenge is accurate measurements and not to assume that if the grants were not paid that the job would not have existed. We need to show that if in the absence of these grants that the job would not have existed and the training would not have happened. Barrett stressed that our workforce training grants are not a salary substitute but are strictly reimbursable training that further prepares employees for their job. Montana was the last state in the union to allot general fund money to job training. Council members admitted they have heard numerous times that the workforce training dollars were paramount in the company either coming to that area or staying in the area. Representative Koopman wonders if the “inducement” to keep a company here or to get a company to come to Montana is the best way to utilize the money. Barrett believes the ultimate result of these programs is having an available, qualified workforce which is important as we grow Montana’s economy.

### **New Energy Infrastructure Division**

Marty Tuttle, Chief Legal Counsel and Administrator for the Energy Infrastructure Division within the Department of Commerce, provided a handout of a presentation. The new Energy Infrastructure Promotion & Development Division was created on July 1, 2007. This division’s structure will include an Administrator, Program Manager, two Energy Development Officers and a Program Assistant. The presentation included various maps showing the energy resources, pipelines and power lines in Montana. The mission is to promote and develop additional energy distribution capacity so that potential jobs

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become actual jobs and Montana's tax base is further enhanced for the benefit of its citizens, facilitate the promotion and development of energy infrastructure that will allow the responsible development of Montana's abundant energy resources including wind, bio-fuels, geothermal, biomass and clean coal gasification, liquefaction and power production which use carbon sequestration technologies when possible. It is our vision to have the state meet or exceed the national Renewable Portfolio Standards by creating an atmosphere that encourages long-term, sustaining projects that will provide renewable energy well into the future for all Montanans. Recognizing the important role that coal based energies hold in our portfolio, we envision diverse energy development including clean coal technologies that not only strive to reduce our carbon footprint, but also to lessen our dependence on foreign oil supplies. Montana needs the responsible development of additional transmission infrastructure to continue the recent expansion of generation capacity and thereby export its abundant energy resources in a value added form to growing energy markets, otherwise potential jobs will not be created and the tax base will not be further enhanced. If Montana can not get the transmission lines built there is no way to build up the generation within the state. Barrett reported that some states have laws that allow publicly-owned transmissions and pipelines and public bonding to support that and the state of Montana hasn't moved in that direction. This administration's position is that these things can and are much more likely to be done with private sector investment.

Tony Rudbach, Associate Vice-President for Research & Economic Development, distributed the College of Technology Energy Technology Program brochure which offers a new two-year degree in Energy Technology beginning in August 2007 online. The graduates will be general practitioners equipped with a wide variety of essential skills. This program was created using a grant from the Department of Commerce WIRED Program.

#### **Community Development Division**

Dave Cole, Division Administrator for the Community Development Division, oversees two major programs: 1) the Community Development Block Grant (\$6-\$8 million per year in federal funds used for economic development projects) and 2) the Treasure State Endowment Program which uses interest money to make grants to communities, local governments and Indian tribes to assist with basic infrastructure (water, sewer, bridges, etc.). Since this division has experience with the infrastructure projects they were asked to also administer the appropriation for the Montana Cowboy Hall of Fame & Western Heritage Center in Wolf Point. During this last session \$500,000 was appropriated for the facility.

Cole explained that back in 2003 the Community Technical Assistance Program (CTAP) was cut due to a huge state deficit. In 2005 a study was conducted on the subdivision regulation process showing there was a lack of centralized technical assistance. Montana realized that the real estate industry, land development and home building is a multi-million dollar industry and the confusion from the subdivision laws, local planning and zoning laws and zoning only added to the problem. During the 2007 legislative session, the Schweitzer Administration proposed to re-establish the program. We have found over the years that the demand for community technical assistance is an on-going fundamental function due to the turnover in local officials and staff. CTAP has no staff for technical assistance to the communities. They did receive authorization during the last session for one (1) Attorney position and retention of one (1) senior/experienced community planner. They are currently in the process of meeting with the Association of Planners, MACO and

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realtors to get their input on how to best utilize the limited resources and get maximum impact on the community needs.

Jim Edgcomb, Program Manager for the Treasure State Endowment Program (TSEP), explained that Commerce is diligently implementing HB 512 which appropriated \$17,333,653 of the interest earnings from the treasure state endowment state special revenue account to 56 applicants and projects authorized to receive the grants. Twenty-seven (27) out of fifty-six (56) projects were approved. They also conducted three (3) workshops in June 2007 to educate recipients of the grants. They have awarded 42 preliminary engineering grants and all but 4 have signed contracts. TSEP would most likely have to obtain a loan from the Board of Investments for approximately \$17 million if it were to fund all these projects during the current biennium. However, statutorily, the projects are required to have all startup conditions completed by the end of the biennium (6/30/2009) in order to be guaranteed the grant, and all funding for the project must be in place before TSEP will release funds. Additionally, TSEP staff can not approve significant changes to the Scope of Work that was presented prior to Department and Legislative approval of the projects. If all the above requirements are not met by projects on 6/30/2009, the TSEP projects will lose the grant(s) unless the 209 Legislature modified HF512. If federal funding to the CDBG program continues to be cut at the same rate as last year, several projects will not be completed.

### **Board of Housing Division - Manufactured Home Renovation Program**

Bruce Brensdal, Executive Director for the Board of Housing and Administrator of the Housing Division, oversees the following programs: Section 8 Tenant & Project Based, Home Investment Partnership, the Single & Multi-family and the Home Ownership programs. Brensdal distributed a handout on the Manufactured Homes Renovation (MHR) Program that was established to address the problems with pre-HUD code mobile homes (built prior to 1973) in Montana. It provides loans to families to upgrade to a safer more efficient mobile home. The original proposal was \$3 million for a revolving loan fund with one (1) full-time employee however the final appropriation was only \$354,886 which is not enough to effectively administer this program. The initial report shows there are over 46,000 older mobile homes in Montana. Mobile homes are typically on a chassis and the modular are assembled in three dimensions at the factory and must be 90% complete and are towed to the site where they are assembled. Brensdal reported all these programs provided approximately \$250 million in financing to Montana communities for various housing projects. The Housing Coordinating Team (HCT) is regrouping with various partners to coordinate efforts and share information about housing in Montana.

### **Senator Schmidt requested a fact sheet or brochure describing the various programs and the affect on communities be provided to both the communities and legislators.**

Brensdal indicated a lot of the information is listed on their website (<http://housing.mt.gov>) and there is a brochure outlining the programs. Representative Koopman asked whether the mobile homes are insurable since they are substandard. Brensdal stated that usually these homes are insured as personal property similar to how cars are insured.

### **Montana Promotions Division - Montana on the Big Screen Tax Credits**

Betsy Baumgart, Administrator for Montana Promotions, oversees Travel Montana (tourism office) and the Film Office. Baumgart distributed an overview of the Montana Film Office which was created in 1974 with a primary mission to strengthen the state's economy through the promotion of film production in Montana. The Film Office also acts

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as a liaison between the production companies and Montana private and public entities. With the passage of the Big Sky on the Big Screen Act (Montana's film incentive) in 2005 they are responsible for administering the certification process with the production companies. The companies using the incentive program are required to report their spending so we know what the direct impact is in Montana. A total of 161 productions were shot in Montana and the production companies spent \$16.1 million while filming in Montana. The film incentive has generated 417 full-time equivalent, short-term jobs. Film productions include: "A Plumm Summer" filmed near Bozeman & Livingston, an HBO production called "Taking Chance" filmed in Ennis, "A Fork in the Road" filmed near Laurel, "Extreme Home Makeover" shot in Billings, "Dry Rain" a short film shot in Pendroy and Conrad, an AT&T commercial shot on Georgetown Lake. Big Sky on the Big Screen is not only an incentive for out-of-state companies but also for Montana-based production companies. Baumgart referred to a national map showing that thirty-one (31) other states have film incentives that are similar to or better than Montana's incentives so competition is high. This industry is a clean, high paying industry that takes pictures and leaves money in the communities. Unfortunately, this program will also sunset in 2009. Baumgart hopes this Council will support this program so we can continue to grow the film industry in Montana.

#### **Council Open Discussion**

Linda Twitchell updated the Council on the Cowboy Hall of Fame project explaining that Burlington Northern donated 20 acres to the City of Wolf Point, the city donated the land to the Chamber of Commerce and the Chamber donated the land to the Cowboy Hall of Fame. A Brownfield's Assessment was completed since it was thought the land was contaminated and it was determined the land is usable. Prior to the \$500,000 appropriation from the state, they completed the preliminary engineering report, the business, marketing and strategic plan. They are also negotiating the preliminary architecture report and reviewing possible funding sources to leverage the \$500,000.

Tony Rudbach asked about the advisory functions of this Council on the CRDC and MBDC programs and whether there is a pro-active process underway to encourage all 56 counties to participate in the CRDC program. Director Preite reported that Richland and Flathead counties still have not taken action to become a CRDC region. Rudbach indicated many changes have taken place in the Flathead County and was wondering if the word has gotten back to the Commissioners and others that the opportunity exists to join the CRDC program. **Barrett requested that the Department of Commerce provide feedback on the pro-active efforts to get the un-served counties into the CRDC Program.**

Rudbach also requested an update on the MicroBusiness Finance Program. Ness reported that HB137 passed during the last session increasing the loan amount from \$35,000 to \$100,000 and changed the definition of a microbusiness' gross annual revenue from \$500,000 to \$1 million, became effective on 7/1/07; thereby making the program available to more businesses. The Program is currently working through the Administrative Rule process to adopt these and clarify other areas of the statute. Council members will be sent the Notice of Adoption showing the administrative rule changes. Tuss asked if other organizations have expressed an interest in becoming certified MicroBusiness Development Corporations (MBDCs). Ness indicated that the Great Falls Development Authority has expressed an interest in the program but would like wait until the Administrative Rule process is completed. **Barrett requested that the draft of the**

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**administrative rules be distributed to this Council for their review prior to the Department entering into the formal Administrative Rules process.**

Rudbach also asked if the Department of Commerce is planning to solicit nominations for the MicroBusiness of the Year Award. The former MicroBusiness Advisory Council created and implemented the award nominations. **Ness indicated the program would solicit the MBDCs for nominations prior to the next council meeting.** Previously, a subcommittee was formed that would review the nominations and determine the recipient of the award. Barrett asked if this Council has the authority to allocate the funds for this award and asked the Council how they want to proceed. With no objections from the Council, a subcommittee consisting of Sheila Hogan, Tony Rudbach and any other interested Council member was formed to oversee this award process. Some council members questioned whether a stipend (money) was necessary when a plaque and local & regional recognition might be sufficient along with possibly involving the Governor in the award presentation.

Representative Koopman mentioned the *Questions to Consider* handout, distributed earlier to the Council, was prompted by earlier Legislative Audit reports done on the program. Koopman mentioned two main areas of concern: 1) acceptable levels of delinquencies/default (have benchmarks been set) and 2) are the MBDCs self-supporting. **Koopman would like the Department staff to gather the data and report back to the Council for further discussion.**

Senator Schmidt referenced page 13 of the minutes from the previous meeting and asked whether the non-compete clause had been addressed. Barrett indicated that he had requested the Bureau of Economic Research to present draft legislation and they did not produce that in time for the last Legislature.

Senator Schmidt also asked about the high Montana Angel Investor filing fee and if anything was done on that issue. Barrett is not aware what a filing fee for an Angel Investor entails and therefore can not comment on it now. Barrett indicated the Governor's Office of Economic Development is preparing to release an RFP which will encourage individuals to respond and allow an Angel Investor network to be built in Montana.

Senator Schmidt also wondered if the SBDC Technology & Development Center (similar to a program in North Carolina) mentioned by Liz Marchi during the last meeting is an aspect that Montana should be investigating. Poole reported that both Bozeman and Missoula received a Small Business Technology and Development Center grant which was a one-time earmark. If we were to generate additional funding, Poole believes it is better used to support the whole SBDC network and not just technology and development because we do not have sufficient resources at this time to support the basic SBDC services that are needed in Montana.

Senator Black asked for an update on the Rocky Mountain Ethanol Plant project in Hardin and the potential development of a plant near Miles City and Great Falls. Barrett acknowledged ethanol is challenged as a bio-fuel because of the competitive world and the cost of corn and we are not even close to any markets. They are looking to the WIRED program to work on ethanol opportunities. The Hardin plant is on the market and they are willing and eager to sell. The Mile City plant continues to seek equity funding. The Great Falls plant continues to move forward. To make it work, ethanol needs to be large scale.

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Bio-diesel may be more promising because it is fully scalable and can use crops which are suited to Montana production.

Representative Villa reported that last session a bill was presented regarding the Agriculture Innovation Centers that did not pass. Villa asked what can be done about the sustainability of this program for the long-term. Tuss hopes this Council will recommend some type of funding for those centers to this Administration. The Department of Agriculture has committed to fund the regional Bio-Product Innovation Centers in Wolf Point, Havre, Joilet, Lewistown and possibly Ronan for this biennium. This has proven to be a very effective program for agriculture and value-added entrepreneurs. Villa wants to make sure we do not lose sight of this program.

**Public Comment**

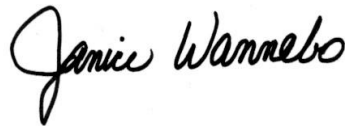
Barrett asked if any member of the public would like to provide comment(s) to any of the issues discussed today or any other matter that is relevant to this Council. There were no comments.

**Next Meeting**

Barrett indicated the next meeting will be scheduled early in 2008 to address these issues prior to the Executive Planning Process (EPP) which is scheduled from mid-January through February 2008. Wannebo will survey the Council members on their attendance to ensure a quorum for the meeting.

**Meeting Adjourns**

Barrett adjourned the meeting at 3:35 p.m.



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Respectively Submitted